

DECISION MEMORANDUM

TO: COMMISSIONER KJELLANDER
COMMISSIONER REDFORD
COMMISSIONER SMITH
COMMISSION SECRETARY
LEGAL
WORKING FILE
FROM: TERRI CARLOCK
DATE: JUNE 19, 2013
RE: INTERMOUNTAIN GAS COMPANY REQUEST TO ENTER
INTO REVOLVING CREDIT SECURITY AGREEMENT;
CASE NO. INT-G-13-04

On June 3, 2010, Intermountain Gas Company (Intermountain or Company), a subsidiary of MDU Resources Group, Inc., filed an Application requesting authority to enter into a base revolving line of credit facility for \$65 Million with the ability to utilize an additional amount of \$25 Million. This total authority of \$90 Million replaces the current revolving line of credit of \$80 Million expiring August 11, 2013 (Order No. 32013).

This authority is requested for a five-year period. The proceeds will be utilized for general utility purposes including refinancing indebtedness, financing capital construction, paying deferred gas costs, and covering other working capital requirements.

Interest rates will be based on London Interbank Offered Rate (LIBOR), U.S. Bank Prime Rate or the Federal Funds rate. Additional charges will be incurred for administrative fees of \$15,000 annually and commitment fees based on a performance grid. The performance grid has four levels with the rate determined by the ratio of consolidated funded indebtedness to total capitalization ratio. Therefore the higher the level of debt incurred, the greater the borrowing cost for borrowed funds. The debt ratio for Intermountain was 34.3% as of March 31, 2013. This places Intermountain in the pricing level with the lowest fee.

STAFF RECOMMENDATION

Staff recommends approval of the Application to enter into \$90 Million line of credit agreements as described. Staff also recommends IGC continue to file quarterly reports with the Commission showing its capitalization ratio and debt borrowing information including interest

rates paid. The reasonableness of the interest rate and all-in-cost will be evaluated as part of the review of issuance documents in this case and in future audits.

All fees have been paid in accordance with *Idaho Code* § 61-905.

COMMISSION DECISION

Does the Commission approve Intermountain's request to enter into five-year revolving line of credit agreements of \$65 Million with an option to borrow an additional \$25 Million?

Does the Commission accept the proposed reporting requirements?



Terri Carlock

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